

POWELL COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2015

POWELL COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits  
Members of Powell County Board of Education  
Stanton, Kentucky

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Powell County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the State Committee for School District Audits in the Kentucky Public School District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Powell County School District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note A to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement (GASB) No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and pension supplemental reporting on pages 4-9 and 47-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Powell County School District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, on our consideration of the Powell County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Powell County School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Chris Gooch".

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 29, 2015

POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

As management of the Powell County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. This information should be considered in conjunction with the accompanying financial statements and disclosure following this section.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance, including MMA investment accounts, fiduciary funds and fund 2 deficit balance of \$332,210 was \$3,588,533, for which \$2,197,337 was committed to construction projects. The ending cash balance, including MMA investment accounts, fiduciary funds and funds 1 and 2 deficit balances of \$216,331 was \$1,477,507 for which \$366,385 is committed to capital outlay and construction projects.
- Interest revenue totaled \$3,326 for the year ended and for the prior year the total interest revenue was \$4,988.
- Total long-term principal reductions for the fiscal year were \$3,504,245. This includes SFCC participation. Also, the District refunded in part the 2006 revenue series. The total reduction for this series in this fiscal year was \$2,605,000. The total refunding issue was \$2,685,000.
- The District recognized two new transportation vehicles having a total cost of \$219,879 financed by KISTA.
- For the prior fiscal year ended, total general fund revenue was \$17,436,348 consisting primarily of state program (SEEK), property, utilities and motor vehicle taxes. This total included \$3,451,915 in state on behalf payments. Excluding transfers and state on behalf payments, total general fund expenditures were \$14,400,909.
- For the current fiscal year ended, total general fund revenue was \$17,805,810 consisting primarily of state program (SEEK), property, utilities and motor vehicle taxes. This total included \$3,835,117 in state on behalf payments. Excluding transfers and state on behalf payments, total general fund expenditures were \$14,601,489.
- A \$5,825,606 High School Renovation/Addition, including the acquisition of forty-three acres of land for \$850,000 adjacent to District existing property was approved by the Kentucky Division of Facilities Management in prior periods. The project was not completed at June 30, 2015.
- The District implemented GASB 68 during the current fiscal year. This accounting standard includes the recognition of unfunded pension liability at the District level for government-wide reporting purposes.

**OVERVIEW OF FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2015

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds include activity funds. Proprietary funds include the school food service, daycare and preschool funds. All other activities are reported under governmental funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.



POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2015

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2015, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,369,267.

The greatest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and ongoing construction projects, where applicable), less any related debt used to acquire those assets that is still outstanding and the aforementioned net pension liability. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, the depreciation of capital assets and the accumulation of pension resources.

**Net positions for the years ended June 30, 2015 and 2014**

Following are comparisons of net position:

|                                                                          | At June 30,       |                   |
|--------------------------------------------------------------------------|-------------------|-------------------|
|                                                                          | 2015              | 2014              |
| Current assets                                                           | 1,827,959         | 4,286,984         |
| Noncurrent assets                                                        | 18,858,693        | 17,836,948        |
| Deferred outflows of resources                                           | 660,446           | 20,187            |
| <u>Total assets and deferred outflows of resources</u>                   | <u>21,347,098</u> | <u>22,144,119</u> |
| Current liabilities                                                      | 1,910,711         | 1,905,607         |
| Noncurrent liabilities                                                   | 16,577,120        | 12,907,233        |
| Deferred inflows of resources                                            | 490,000           | 151,321           |
| <u>Total liabilities and deferred inflows of resources</u>               | <u>18,977,831</u> | <u>14,964,161</u> |
| Net position                                                             |                   |                   |
| Investment in capital assets (net of debt)                               | 5,642,304         | 3,962,934         |
| Restricted                                                               | 975,725           | 2,778,962         |
| Unrestricted (deficit)                                                   | (4,248,762)       | 438,062           |
| <u>Total net position</u>                                                | <u>2,369,267</u>  | <u>7,179,958</u>  |
| <u>Total liabilities, deferred inflows of resources and net position</u> | <u>21,347,098</u> | <u>22,144,119</u> |

POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2015

- Current assets include decreases due to construction expenditures of \$1,837,046 for the fiscal year end and a general fund cash decrease of \$442,023 compared to the prior year end.
- Noncurrent assets and resources reflect \$1,803,779 in fixed assets additions and depreciation expense of \$782,034.
- Noncurrent liabilities and resources reflect principal reduction in long-term debt of \$3,504,245 including SFCC on-behalf payments. New debt service totaled \$2,904,879.
- Net unfunded pension liability recognized by the District at June 30, 2015 was \$4,391,000.

**Comments on budget comparisons**

The following table presents a comparison of budget to actual for the general fund for the fiscal year ended June 30, 2015:

|                                                    | <u>Budget 2015</u> | <u>Actual 2015</u> | <u>Variance I/(D)</u> |
|----------------------------------------------------|--------------------|--------------------|-----------------------|
| Revenues:                                          |                    |                    |                       |
| Local revenue sources                              | 2,765,880          | 2,610,222          | (155,658)             |
| Federal and state revenue sources                  | <u>13,621,203</u>  | <u>15,195,288</u>  | <u>1,574,085</u>      |
| <u>Total revenues</u>                              | <u>16,387,083</u>  | <u>17,805,510</u>  | <u>1,418,427</u>      |
| Expenses:                                          |                    |                    |                       |
| Instruction                                        | 9,911,052          | 11,149,427         | (1,238,375)           |
| Student support services                           | 679,591            | 773,059            | (93,468)              |
| Instructional support                              | 606,271            | 687,777            | (81,506)              |
| District administration                            | 1,183,612          | 1,197,243          | (13,631)              |
| School administration                              | 1,074,323          | 1,101,083          | (26,760)              |
| Business support services                          | 288,332            | 331,144            | (42,812)              |
| Plant operations and management                    | 1,988,704          | 1,999,856          | (11,152)              |
| Student transportation                             | 1,170,991          | 1,125,354          | 45,637                |
| Debt service                                       | 71,663             | 71,663             | -                     |
| Contingencies                                      | <u>492,230</u>     | <u>-</u>           | <u>492,230</u>        |
| <u>Total expenses</u>                              | <u>17,466,769</u>  | <u>18,436,606</u>  | <u>(969,837)</u>      |
| <u>Excess (deficiency) of revenue over expense</u> | <u>(1,079,686)</u> | <u>(631,096)</u>   | <u>448,590</u>        |

POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2015

Budget and actual state revenue sources and expenditures include on behalf payment differences totaling \$3,835,117.

- Contingencies reflected in the current year meet regulatory requirements.

The following table presents a comparison of government wide revenue and expense for the fiscal years ended June 30, 2015 and 2014:

|                                                    | <u>2015</u>       | <u>2014</u>       |
|----------------------------------------------------|-------------------|-------------------|
| Revenues:                                          |                   |                   |
| Local revenue sources                              | 3,077,309         | 2,907,264         |
| State revenue sources                              | 19,154,593        | 16,991,627        |
| Federal revenue                                    | <u>3,743,764</u>  | <u>3,607,439</u>  |
| <u>Total revenues</u>                              | <u>25,975,666</u> | <u>23,506,330</u> |
| Expenses:                                          |                   |                   |
| Instruction                                        | 14,679,739        | 13,093,657        |
| Student support services                           | 884,757           | 711,154           |
| Instructional support                              | 1,685,679         | 1,504,775         |
| District administration                            | 1,429,549         | 1,304,037         |
| School administration                              | 1,218,642         | 1,104,533         |
| Business support services                          | 358,883           | 277,512           |
| Plant operations and management                    | 2,194,927         | 2,058,863         |
| Student transportation                             | 1,522,325         | 1,277,988         |
| Food services operation                            | 1,572,797         | 1,516,925         |
| Community services operations                      | 309,083           | 301,125           |
| Interest on long-term debt                         | <u>399,976</u>    | <u>401,588</u>    |
| <u>Total expenses</u>                              | <u>26,256,357</u> | <u>23,552,157</u> |
| <u>Excess (Deficiency) of revenue over expense</u> | <u>(280,691)</u>  | <u>(45,827)</u>   |

POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2015

- Adjusting entries to reflect pension expense for GASB 68 purposes are reflected as an increase in fiscal year 2015 operating expenses.
- Revenue sources include local property and utility taxes, interest revenue, food service revenue and local, state and federal grant funding resources.

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district prior year budget included \$492,230 in contingency (2.81%). Management has established reserves for sick leave. The District continually monitors non-monetary factors that may have an impact on the District's budget including new legislation, economic changes, and shifts in population.

Questions regarding this report should be directed to the Superintendent or the Finance Officer at (606) 663-3300.

POWELL COUNTY SCHOOL DISTRICTSTATEMENT OF NET POSITIONAt June 30, 2015

|                                                        | Governmental<br><u>Activities</u> | Business-type<br><u>Activities</u> | <u>Total</u>      |
|--------------------------------------------------------|-----------------------------------|------------------------------------|-------------------|
| <b>Assets:</b>                                         |                                   |                                    |                   |
| - Current assets -                                     |                                   |                                    |                   |
| Cash and cash equivalents                              | 373,750                           | 469,027                            | 842,777           |
| Investments                                            | 495,485                           | -                                  | 495,485           |
| Accounts receivable:                                   |                                   |                                    |                   |
| Taxes - current                                        | 74,364                            | -                                  | 74,364            |
| Taxes - delinquent                                     | 9,974                             | -                                  | 9,974             |
| Other                                                  | 7,189                             | -                                  | 7,189             |
| Intergovernmental - indirect federal                   | 352,003                           | 8,790                              | 360,793           |
| Inventories                                            | <u>-</u>                          | <u>37,377</u>                      | <u>37,377</u>     |
| <u>Total current assets</u>                            | <u>1,312,765</u>                  | <u>515,194</u>                     | <u>1,827,959</u>  |
| - Noncurrent assets -                                  |                                   |                                    |                   |
| Capital assets                                         |                                   |                                    |                   |
| Nondepreciable capital assets                          | 6,065,320                         | -                                  | 6,065,320         |
| Depreciable capital assets, net                        | <u>12,731,759</u>                 | <u>61,614</u>                      | <u>12,793,373</u> |
| Capital assets, net                                    | <u>18,797,079</u>                 | <u>61,614</u>                      | <u>18,858,693</u> |
| <b>Deferred Outflows of Resources</b>                  |                                   |                                    |                   |
| Deferred savings from refunding bonds                  | 94,447                            | -                                  | 94,447            |
| Deferred outflows - pension resources                  | <u>565,999</u>                    | <u>-</u>                           | <u>565,999</u>    |
| <u>Total deferred outflows of resources</u>            | <u>660,446</u>                    | <u>-</u>                           | <u>660,446</u>    |
| <u>Total assets and deferred outflows of resources</u> | <u>20,770,290</u>                 | <u>576,808</u>                     | <u>21,347,098</u> |

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION (Continued)

At June 30, 2015

|                                                                          | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>             |
|--------------------------------------------------------------------------|------------------------------------------|-------------------------------------------|--------------------------|
| <b>Liabilities:</b>                                                      |                                          |                                           |                          |
| - Current liabilities -                                                  |                                          |                                           |                          |
| Cash deficit                                                             | 216,331                                  | -                                         | 216,331                  |
| Accounts payable                                                         | 104,387                                  | 180                                       | 104,567                  |
| Current portion of bond/lease obligations                                | 1,068,931                                | -                                         | 1,068,931                |
| Current portion - KSBIT obligation                                       | 67,903                                   | -                                         | 67,903                   |
| Interest payable                                                         | 308,740                                  | -                                         | 308,740                  |
| Unearned revenues - governmental sources                                 | <u>144,239</u>                           | <u>-</u>                                  | <u>144,239</u>           |
| <u>Total current liabilities</u>                                         | <u>1,910,531</u>                         | <u>180</u>                                | <u>1,910,711</u>         |
| - Noncurrent liabilities -                                               |                                          |                                           |                          |
| Accrued sick leave payable                                               | 203,812                                  | -                                         | 203,812                  |
| Long-term portion of KSBIT obligation                                    | 143,590                                  | -                                         | 143,590                  |
| Noncurrent portion of long-term debt                                     | 11,838,718                               | -                                         | 11,838,718               |
| Net pension liability                                                    | <u>4,391,000</u>                         | <u>-</u>                                  | <u>4,391,000</u>         |
| <u>Total noncurrent liabilities</u>                                      | <u>16,577,120</u>                        | <u>-</u>                                  | <u>16,577,120</u>        |
| <u>Total liabilities</u>                                                 | <u>18,487,651</u>                        | <u>180</u>                                | <u>18,487,831</u>        |
| <b>Deferred Inflow of Resources</b>                                      |                                          |                                           |                          |
| Deferred inflows - pension resources                                     | <u>490,000</u>                           | <u>-</u>                                  | <u>490,000</u>           |
| <u>Total liabilities and deferred inflows of resources</u>               | <u>18,977,651</u>                        | <u>180</u>                                | <u>18,977,831</u>        |
| <b>Net Position:</b>                                                     |                                          |                                           |                          |
| Net investment in capital assets                                         | 5,580,690                                | 61,614                                    | 5,642,304                |
| Restricted for:                                                          |                                          |                                           |                          |
| Capital projects                                                         | 366,385                                  | -                                         | 366,385                  |
| Other                                                                    | 94,326                                   | 515,014                                   | 609,340                  |
| Unrestricted (deficit)                                                   |                                          |                                           |                          |
| Pension resources                                                        | (4,315,001)                              | -                                         | (4,315,001)              |
| Unrestricted - other                                                     | <u>66,239</u>                            | <u>-</u>                                  | <u>66,239</u>            |
| <u>Total net position</u>                                                | <u>1,792,639</u>                         | <u>576,628</u>                            | <u>2,369,267</u>         |
| <u>Total liabilities, deferred inflows of resources and net position</u> | <u><u>20,770,290</u></u>                 | <u><u>576,808</u></u>                     | <u><u>21,347,098</u></u> |

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTSTATEMENT OF ACTIVITIESFor the Year Ended June 30, 2015

|                                       |                   | Program Revenues           |                                        |                                      |
|---------------------------------------|-------------------|----------------------------|----------------------------------------|--------------------------------------|
|                                       |                   | Charges<br>for<br>Services | Operating<br>Grants &<br>Contributions | Capital<br>Grants &<br>Contributions |
|                                       | <u>Expenses</u>   |                            |                                        |                                      |
| <b>FUNCTIONS/PROGRAMS:</b>            |                   |                            |                                        |                                      |
| - Governmental Activities -           |                   |                            |                                        |                                      |
| Instruction                           | 14,679,739        | -                          | 4,793,274                              | -                                    |
| Support services:                     |                   |                            |                                        |                                      |
| Student                               | 884,757           | -                          | 197,796                                | -                                    |
| Instructional staff                   | 1,685,679         | -                          | 1,037,918                              | -                                    |
| District administration               | 1,429,549         | -                          | 280,392                                | -                                    |
| School administration                 | 1,218,642         | -                          | 271,618                                | -                                    |
| Business support                      | 358,883           | -                          | 46,829                                 | -                                    |
| Plant operation & management          | 2,194,927         | -                          | 119,433                                | -                                    |
| Student transportation                | 1,522,325         | -                          | 244,046                                | -                                    |
| Community services operations         | 309,083           | -                          | 284,355                                | -                                    |
| Interest on long-term debt            | 399,976           | -                          | -                                      | -                                    |
| <u>Total governmental activities</u>  | <u>24,683,560</u> | <u>-</u>                   | <u>7,275,661</u>                       | <u>-</u>                             |
| - Business-type Activities -          |                   |                            |                                        |                                      |
| Food service                          | <u>1,572,797</u>  | <u>143,765</u>             | <u>1,473,104</u>                       | <u>-</u>                             |
| <u>Total business-type activities</u> | <u>1,572,797</u>  | <u>143,765</u>             | <u>1,473,104</u>                       | <u>-</u>                             |
| <u>Total primary government</u>       | <u>26,256,357</u> | <u>143,765</u>             | <u>8,748,765</u>                       | <u>-</u>                             |

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES (continued)

For the Year Ended June 30, 2015

|                                      | Net (Expense) Revenue and Changes in Net Position |                                        |                         |
|--------------------------------------|---------------------------------------------------|----------------------------------------|-------------------------|
|                                      | Governmental<br><u>Activities</u>                 | Business-<br>Type<br><u>Activities</u> | <u>Total</u>            |
|                                      | (9,886,465)                                       | -                                      | (9,886,465)             |
|                                      | (686,961)                                         | -                                      | (686,961)               |
|                                      | (647,761)                                         | -                                      | (647,761)               |
|                                      | (1,149,157)                                       | -                                      | (1,149,157)             |
|                                      | (947,024)                                         | -                                      | (947,024)               |
|                                      | (312,054)                                         | -                                      | (312,054)               |
|                                      | (2,075,494)                                       | -                                      | (2,075,494)             |
|                                      | (1,278,279)                                       | -                                      | (1,278,279)             |
|                                      | (24,728)                                          | -                                      | (24,728)                |
|                                      | <u>(399,976)</u>                                  | <u>-</u>                               | <u>(399,976)</u>        |
|                                      | <u>(17,407,899)</u>                               | <u>-</u>                               | <u>(17,407,899)</u>     |
|                                      | <u>-</u>                                          | <u>44,072</u>                          | <u>44,072</u>           |
|                                      | <u>-</u>                                          | <u>44,072</u>                          | <u>44,072</u>           |
|                                      | <u>(17,407,899)</u>                               | <u>44,072</u>                          | <u>(17,363,827)</u>     |
| <b>General revenues:</b>             |                                                   |                                        |                         |
| Taxes                                | 2,804,484                                         | -                                      | 2,804,484               |
| Investment earnings                  | 3,321                                             | 5                                      | 3,326                   |
| State and formula grants             | 14,149,597                                        | -                                      | 14,149,597              |
| Miscellaneous                        | <u>125,729</u>                                    | <u>-</u>                               | <u>125,729</u>          |
| <b><u>Total general revenues</u></b> | <u>17,083,131</u>                                 | <u>5</u>                               | <u>17,083,136</u>       |
| Change in net position               | (324,768)                                         | 44,077                                 | (280,691)               |
| Net position - beginning (restated)  | <u>2,117,407</u>                                  | <u>532,551</u>                         | <u>2,649,958</u>        |
| Net position - ending                | <u><u>1,792,639</u></u>                           | <u><u>576,628</u></u>                  | <u><u>2,369,267</u></u> |

See notes to financial statements



**POWELL COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**

At June 30, 2015

|                                           | <u>General<br/>Fund</u> | <u>Special<br/>Revenue</u> | <u>Construction<br/>Fund</u> | <u>Debt<br/>Service<br/>Funds</u> | <u>Other<br/>Gov't<br/>Funds</u> | <u>Total<br/>Gov't<br/>Funds</u> |
|-------------------------------------------|-------------------------|----------------------------|------------------------------|-----------------------------------|----------------------------------|----------------------------------|
| <b>Assets:</b>                            |                         |                            |                              |                                   |                                  |                                  |
| Cash and cash equivalents                 | -                       | -                          | 353,749                      | -                                 | 20,001                           | 373,750                          |
| Investments                               | 495,485                 | -                          | -                            | -                                 | -                                | 495,485                          |
| Accounts receivable:                      |                         |                            |                              |                                   |                                  |                                  |
| Taxes - current                           | 74,364                  | -                          | -                            | -                                 | -                                | 74,364                           |
| Taxes - delinquent                        | 9,974                   | -                          | -                            | -                                 | -                                | 9,974                            |
| Other                                     | 3,462                   | -                          | -                            | -                                 | 3,727                            | 7,189                            |
| Intergovernmental - indirect federal      | <u>15,619</u>           | <u>336,384</u>             | <u>-</u>                     | <u>-</u>                          | <u>-</u>                         | <u>352,003</u>                   |
| <u>Total assets</u>                       | <u>598,904</u>          | <u>336,384</u>             | <u>353,749</u>               | <u>-</u>                          | <u>23,728</u>                    | <u>1,312,765</u>                 |
| <b>Liabilities:</b>                       |                         |                            |                              |                                   |                                  |                                  |
| Cash deficit                              | 40,450                  | 175,881                    | -                            | -                                 | -                                | 216,331                          |
| Accounts payable                          | 77,031                  | 27,356                     | -                            | -                                 | -                                | 104,387                          |
| Unearned revenues - governmental sources  | <u>-</u>                | <u>133,147</u>             | <u>-</u>                     | <u>-</u>                          | <u>11,092</u>                    | <u>144,239</u>                   |
| <u>Total liabilities</u>                  | <u>117,481</u>          | <u>336,384</u>             | <u>-</u>                     | <u>-</u>                          | <u>11,092</u>                    | <u>464,957</u>                   |
| <b>Fund Balance:</b>                      |                         |                            |                              |                                   |                                  |                                  |
| Restricted - sick leave                   | 66,115                  | -                          | -                            | -                                 | -                                | 66,115                           |
| Restricted for future construction/outlay | -                       | -                          | 353,749                      | -                                 | 12,636                           | 366,385                          |
| Committed - site based carryforward       | 22,811                  | -                          | -                            | -                                 | -                                | 22,811                           |
| Assigned - purchase obligations           | 5,400                   | -                          | -                            | -                                 | -                                | 5,400                            |
| Unassigned fund balance                   | <u>387,097</u>          | <u>-</u>                   | <u>-</u>                     | <u>-</u>                          | <u>-</u>                         | <u>387,097</u>                   |
| <u>Total fund balance</u>                 | <u>481,423</u>          | <u>-</u>                   | <u>353,749</u>               | <u>-</u>                          | <u>12,636</u>                    | <u>847,808</u>                   |
| <u>Total liabilities and fund balance</u> | <u>598,904</u>          | <u>336,384</u>             | <u>353,749</u>               | <u>-</u>                          | <u>23,728</u>                    | <u>1,312,765</u>                 |

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONAt June 30, 2015

|                                                                                                                                                                                                                                |                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Total fund balance per fund financial statements                                                                                                                                                                               | 847,808                 |
| Amounts reported for governmental activities in the statement of net position are different because:                                                                                                                           |                         |
| Capital assets are not reported in this fund financial statement because they are not current financial resources, but are reported in the statement of net position.                                                          | 18,797,079              |
| Deferred outflows on refunded debt and pension resources are reported in government wide financial statements but not in fund financial statements.                                                                            | 660,446                 |
| Long-term sick leave payable is not recognized in the fund financial statements.                                                                                                                                               | (203,812)               |
| Certain liabilities (such as bonds payable and KSBIT payable are not reported in this fund financial statement because they are not due and payable, and related interest, but are presented in the statement of net position. | (13,427,882)            |
| Net pension obligations are not due and payable in the current period, and therefore, are not reported in the fund financial statements.                                                                                       | (4,391,000)             |
| Deferred inflows of resources related to pensions are not reported in the fund financial statements.                                                                                                                           | <u>(490,000)</u>        |
| Net position for governmental activities                                                                                                                                                                                       | <u><u>1,792,639</u></u> |

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

|                                                    | <u>General<br/>Fund</u> | <u>Special<br/>Revenue</u> | <u>Construction<br/>Fund</u> | <u>Debt Service<br/>Fund</u> | <u>Other<br/>Gov't Funds</u> | <u>Total<br/>Gov't Funds</u> |
|----------------------------------------------------|-------------------------|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| <b>Revenues:</b>                                   |                         |                            |                              |                              |                              |                              |
| From local sources:                                |                         |                            |                              |                              |                              |                              |
| Taxes                                              | 2,542,102               | -                          | -                            | -                            | 262,382                      | 2,804,484                    |
| Earnings on investments                            | 3,321                   | -                          | -                            | -                            | -                            | 3,321                        |
| Other local revenue                                | 64,799                  | 5,415                      | -                            | -                            | 55,298                       | 125,512                      |
| Intergovernmental - state                          | 14,916,004              | 1,191,025                  | -                            | 423,530                      | 758,892                      | 17,289,451                   |
| Intergovernmental - indirect federal               | 279,284                 | 2,192,449                  | -                            | -                            | -                            | 2,471,733                    |
| <b><u>Total revenues</u></b>                       | <u>17,805,510</u>       | <u>3,388,889</u>           | <u>-</u>                     | <u>423,530</u>               | <u>1,076,572</u>             | <u>22,694,501</u>            |
| <b>Expenditures:</b>                               |                         |                            |                              |                              |                              |                              |
| Instructional                                      | 11,149,427              | 1,959,429                  | -                            | -                            | 38,481                       | 13,147,337                   |
| Student support services                           | 773,059                 | 27,723                     | -                            | -                            | 16,817                       | 817,599                      |
| Staff support services                             | 687,777                 | 869,132                    | -                            | -                            | -                            | 1,556,909                    |
| District administration                            | 1,197,243               | 121,851                    | -                            | -                            | -                            | 1,319,094                    |
| School administration                              | 1,101,083               | 25,691                     | -                            | -                            | -                            | 1,126,774                    |
| Business support                                   | 331,144                 | -                          | -                            | -                            | -                            | 331,144                      |
| Plant operations and management                    | 1,999,856               | 12,512                     | -                            | -                            | -                            | 2,012,368                    |
| Student transportation                             | 1,125,354               | 139,851                    | -                            | -                            | -                            | 1,265,205                    |
| Community service activities                       | -                       | 284,355                    | -                            | -                            | -                            | 284,355                      |
| Building improvements                              | -                       | -                          | 1,837,046                    | -                            | -                            | 1,837,046                    |
| Debt service:                                      |                         |                            |                              |                              |                              |                              |
| Principal                                          | 69,245                  | -                          | -                            | 915,000                      | -                            | 984,245                      |
| Interest and fees                                  | 2,418                   | -                          | -                            | 406,226                      | -                            | 408,644                      |
| <b><u>Total expenditures</u></b>                   | <u>18,436,606</u>       | <u>3,440,544</u>           | <u>1,837,046</u>             | <u>1,321,226</u>             | <u>55,298</u>                | <u>25,090,720</u>            |
| Excess (deficit) of revenues over expenditures     | <u>(631,096)</u>        | <u>(51,655)</u>            | <u>(1,837,046)</u>           | <u>(897,696)</u>             | <u>1,021,274</u>             | <u>(2,396,219)</u>           |
| <b>Other financing sources (uses):</b>             |                         |                            |                              |                              |                              |                              |
| Operating transfers in                             | 139,193                 | 109,655                    | -                            | 876,734                      | -                            | 1,125,582                    |
| Operating transfers out                            | (51,655)                | (58,000)                   | -                            | -                            | (1,015,927)                  | (1,125,582)                  |
| Bond proceeds refunding issue                      | -                       | -                          | -                            | 2,685,000                    | -                            | 2,685,000                    |
| Retirement of previous long term debt              | -                       | -                          | -                            | (2,664,038)                  | -                            | (2,664,038)                  |
| Sale of equipment                                  | 217                     | -                          | -                            | -                            | -                            | 217                          |
| <b><u>Total other financing sources (uses)</u></b> | <u>87,755</u>           | <u>51,655</u>              | <u>-</u>                     | <u>897,696</u>               | <u>(1,015,927)</u>           | <u>21,179</u>                |
| Net Change in Fund Balance                         | (543,341)               | -                          | (1,837,046)                  | -                            | 5,347                        | (2,375,040)                  |
| <b>Fund balance - July 1, 2014</b>                 | <u>1,024,764</u>        | <u>-</u>                   | <u>2,190,795</u>             | <u>-</u>                     | <u>7,289</u>                 | <u>3,222,848</u>             |
| <b>Fund balance - June 30, 2015</b>                | <u>481,423</u>          | <u>-</u>                   | <u>353,749</u>               | <u>-</u>                     | <u>12,636</u>                | <u>847,808</u>               |

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2015

|                                                                                                                                                                                                                      |                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Net change in total fund balances per fund financial statements                                                                                                                                                      | (2,375,040)             |
| Amounts reported for governmental activities in the statement of activities differences:                                                                                                                             |                         |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.                |                         |
| Capital outlays reported in fund financial statements                                                                                                                                                                | 1,566,790               |
| Depreciation recorded in government wide financial statements                                                                                                                                                        | (771,572)               |
| Interest expense on long-term debt is recognized in the fund financial statements when paid and accrued in the government wide financial statements of activities.                                                   | 119,906                 |
| Accrued sick leave is recognized when incurred in the fund financial statements.                                                                                                                                     | (30,840)                |
| Amortization expense on refunded debt is not recognized in the fund financial statements.                                                                                                                            | (12,294)                |
| Bond principal payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position.                           | 3,648,283               |
| Bond proceeds are recognized as revenues in the fund financial statements but are increases in liabilities in the statement of net position.                                                                         | (2,685,000)             |
| Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. |                         |
| District pension contributions                                                                                                                                                                                       | 565,999                 |
| Cost of benefits earned net of employee contributions                                                                                                                                                                | <u>(351,000)</u>        |
| Change in net position of governmental activities                                                                                                                                                                    | <u><u>(324,768)</u></u> |

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTSTATEMENT OF NET POSITION – PROPRIETARY FUNDAt June 30, 2015

|                                           | <u>Food Service<br/>Fund</u> |
|-------------------------------------------|------------------------------|
| <b>Assets:</b>                            |                              |
| - Current Assets -                        |                              |
| Cash and cash equivalents                 | 469,027                      |
| Accounts receivable:                      |                              |
| Intergovernmental - indirect federal      | 8,790                        |
| Inventories                               | <u>37,377</u>                |
| <u>Total current assets</u>               | <u>515,194</u>               |
| - Noncurrent Assets -                     |                              |
| Depreciable capital assets                | 552,409                      |
| Less: accumulated depreciation            | <u>(490,795)</u>             |
| <u>Total noncurrent assets</u>            | <u>61,614</u>                |
| <u>Total assets</u>                       | <u><u>576,808</u></u>        |
| <b>Liabilities:</b>                       |                              |
| - Current Liabilities -                   |                              |
| Accounts payable                          | <u>180</u>                   |
| <u>Total current liabilities</u>          | <u>180</u>                   |
| <b>Net position:</b>                      |                              |
| Net investment in capital assets          | 61,614                       |
| Restricted                                | <u>515,014</u>               |
| <u>Total net position</u>                 | <u>576,628</u>               |
| <u>Total liabilities and net position</u> | <u><u>576,808</u></u>        |

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION – PROPRIETARY FUNDFor the Year Ended June 30, 2015

|                                                 | <u>Food service<br/>Fund</u> |
|-------------------------------------------------|------------------------------|
| <b>Operating revenues:</b>                      |                              |
| Lunchroom sales                                 | 143,765                      |
| Federal grants                                  | 1,272,031                    |
| State grants                                    | 108,108                      |
| Donated commodities                             | <u>92,965</u>                |
| <br><u>Total operating revenues</u>             | <br><u>1,616,869</u>         |
| <br><b>Operating expense:</b>                   |                              |
| Salaries and wages                              | 595,442                      |
| Contract services                               | 26,588                       |
| Materials and supplies                          | 936,876                      |
| Depreciation                                    | 10,462                       |
| Other operating expenses                        | <u>3,429</u>                 |
| <br><u>Total operating expenses</u>             | <br><u>1,572,797</u>         |
| <br><u>Operating income (loss)</u>              | <br><u>44,072</u>            |
| <br><b>Nonoperating Revenue/(Expense):</b>      |                              |
| Interest income                                 | <u>5</u>                     |
| <br><u>Total nonoperating revenue/(expense)</u> | <br><u>5</u>                 |
| <br><u>Change in net position</u>               | <br>44,077                   |
| Net position, July 1, 2014                      | <u>532,551</u>               |
| Net position, June 30, 2015                     | <u><u>576,628</u></u>        |

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUND

For the Year Ended June 30, 2015

|                                                                                                 | Food service<br><u>Fund</u> |
|-------------------------------------------------------------------------------------------------|-----------------------------|
| <b>Cash flows from operating activities:</b>                                                    |                             |
| Cash received from:                                                                             |                             |
| Lunchroom sales                                                                                 | 143,765                     |
| Federal and state grants                                                                        | 1,312,038                   |
| Cash paid to/for:                                                                               |                             |
| Employees                                                                                       | (500,099)                   |
| Supplies/Contractual                                                                            | (882,123)                   |
| Other activities                                                                                | <u>(3,429)</u>              |
| <u>Net cash provided (used) by operating activities</u>                                         | <u>70,152</u>               |
| <b>Cash flows from capital and related<br/>financing activities:</b>                            |                             |
| Fixed asset acquisitions                                                                        | <u>(17,110)</u>             |
| <b>Cash flows from investing activities:</b>                                                    |                             |
| Interest income                                                                                 | <u>5</u>                    |
| <b>Cash flows from financing activities:</b>                                                    | <u>-</u>                    |
| Net increase (decrease) in cash                                                                 | 53,047                      |
| Cash, beginning of year                                                                         | <u>415,980</u>              |
| Cash, end of year                                                                               | <u><u>469,027</u></u>       |
| <b>Reconciliation of operating income (loss)<br/>to net cash provided (used) by operations:</b> |                             |
| Operating income (loss)                                                                         | 44,072                      |
| Adjustments to reconcile operating income to<br>cash provided (used) by operating activities:   |                             |
| Depreciation                                                                                    | 10,462                      |
| Changes in current assets/liabilities:                                                          |                             |
| Accounts receivable                                                                             | 27,242                      |
| Inventory                                                                                       | (11,408)                    |
| Accounts payable                                                                                | <u>(216)</u>                |
| Net cash provided (used) by operating activities                                                | <u><u>70,152</u></u>        |

Note – Non-cash transactions include State on-behalf payments of \$90,907 and donated commodities of \$92,965.

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

At June 30, 2015

|                                                  | <u>Activity<br/>Funds</u> | <u>Scholarship<br/>Fund</u> | <u>Total</u>   |
|--------------------------------------------------|---------------------------|-----------------------------|----------------|
| <b>Assets:</b>                                   |                           |                             |                |
| Cash and cash equivalents                        | <u>176,452</u>            | <u>179,124</u>              | <u>355,576</u> |
| <u>Total assets</u>                              | <u>176,452</u>            | <u>179,124</u>              | <u>355,576</u> |
| <b>Liabilities:</b>                              |                           |                             |                |
| Accounts payable                                 | -                         | -                           | -              |
| Due to individual student activity account funds | <u>176,452</u>            | <u>-</u>                    | <u>176,452</u> |
| <u>Total liabilities</u>                         | <u>176,452</u>            | <u>-</u>                    | <u>176,452</u> |
| <b>Net Position:</b>                             |                           |                             |                |
| Permanently restricted                           | -                         | 167,803                     | 167,803        |
| Restricted - other spendable                     | <u>-</u>                  | <u>11,321</u>               | <u>11,321</u>  |
| <u>Total net position</u>                        | <u>-</u>                  | <u>179,124</u>              | <u>179,124</u> |
| <u>Total liabilities and net position</u>        | <u>176,452</u>            | <u>179,124</u>              | <u>355,576</u> |

See notes to financial statements.



POWELL COUNTY SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITIONFor the Year Ended June 30, 2015

|                                 | <u>Scholarship<br/>Fund</u> |
|---------------------------------|-----------------------------|
| Additions:                      |                             |
| Interest income                 | 2,265                       |
| Contributions/Donations         | <u>1,000</u>                |
| Total Additions                 | 3,265                       |
| Deductions:                     |                             |
| Scholarship payments            | <u>6,000</u>                |
| Change in net position          | (2,735)                     |
| Net position, beginning of year | <u>181,859</u>              |
| Net position, end of year       | <u><u>179,124</u></u>       |

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTSJune 30, 2015NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Powell County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Powell County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding sources entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence, operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Powell County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment or the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Powell County School District Finance Corporation – The Powell County, Kentucky, Board of Education resolved to authorize the establishment of the Powell County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Powell County Board of Education also comprise the Corporations’ Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation (continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation (continued)

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Grant Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.
- (C) The District Wide Activity Multi Year fund, a special revenue fund, accounts for student activities on a district wide basis primarily for instruction and instructional staff support service purposes.
- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation (continued)II. Proprietary Funds (Enterprise Funds)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.

III. Fiduciary Fund Types (includes agency and trust funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Accounting Procedures for Kentucky School Activity Funds.

The Herbert and Hattie Profitt scholarship fund is a permanent type endowment fund. The interest earned is used for scholarships to Powell County High School students.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements,

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Accounting (continued)

in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Inflows of Resources and Deferred Outflows of Resources – A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources. On the accrual basis of accounting, unamortized deferred charges on debt refunding is reported as a deferred outflow of resources.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and change in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred inflows.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.390 per \$100 valuation for real property, \$.390 per \$100 valuation for business personal property and \$.502 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District capitalization threshold policies are five thousand dollars for equipment, furniture and fixtures. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

| <u>Description</u>         | <u>Governmental Activities<br/>Estimated Lives</u> |
|----------------------------|----------------------------------------------------|
| Buildings and improvements | 25-50 years                                        |
| Land improvements          | 20 years                                           |
| Technology equipment       | 5 years                                            |
| Vehicles                   | 5-10 years                                         |
| Audio-visual equipment     | 15 years                                           |
| Food service equipment     | 10-12 years                                        |
| Furniture and fixtures     | 7 years                                            |

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past five years' experience of making termination payments.

Compensated absence liabilities are recorded based on balances for classified and certified employees with twenty-seven or more years of experience at June 30, 2015.

The District has set aside a board approved reserve in the amount of \$66,115 for accumulated sick leave.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with and original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick



POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

GASB 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets", consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through the enabling legislation adopted by the District or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Recently Issued Accounting Pronouncements

GASB Statement No. 66, *Technical Corrections*—2012; an Amendment of GASB Statements No. 10 and No. 62, effective for periods beginning after December 15, 2012, resolves conflicting accounting and reporting guidance that could diminish consistent financial reporting and enhance the usefulness of financial reports. The District implemented the new requirements for the fiscal year 2013-2014 financial statements.

The District implemented GASB Statement 65 which establishes accounting and financial reporting standards that reclassify certain assets and liabilities as deferred outflows of resources or deferred inflows of resources, provides changes in the determination of the major fund calculations and limiting the use of "deferred" in financial statement presentations.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Recently Issued Accounting Pronouncements (continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement 27 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The District implemented the new accounting and disclosure requirements for the fiscal year ended June 30, 2015.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the bank balance of the District's cash and cash equivalents was \$2,406,703 and the book balance was \$1,477,507. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the District may not recover collateral securities. The District requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). At June 30, 2015 the District's cash and cash equivalents were insured by FDIC in the amount of \$250,000 for all accounts. The balance of cash was collateralized with securities held in the financial institution's name and pledged to the District. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the District's investments in a single issuer. All of the organization's cash is held at a local financial institution. Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The District does not hold any foreign investments.

The funds of the District are deposited and invested under the terms of a contract, contents of which are set out in the bond of depositors for public school funds. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE C – CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents at June 30, 2015 consisted of the following:

|                                      | <u>Bank<br/>Balance</u> | <u>Book<br/>Balance</u> |
|--------------------------------------|-------------------------|-------------------------|
| <u>Whitaker Bank:</u>                |                         |                         |
| General Checking Account             | 1,560,370               | 637,767                 |
| Revolving Fund                       | 498                     | -                       |
| MMDA Account                         | 245,485                 | 245,485                 |
| Certificate of Deposit               | 250,000                 | 250,000                 |
| Investment - Trust Agency Fund       | 167,803                 | 167,803                 |
| Bowen Elementary Activity            | 10,015                  | 9,996                   |
| Clay City Elementary Activity        | 14,325                  | 13,563                  |
| Powell County High School Activity   | 101,278                 | 97,082                  |
| Powell County Middle School Activity | 46,511                  | 46,049                  |
| Stanton Elementary Activity          | 10,418                  | 9,762                   |
| <u>Total</u>                         | <u>2,406,703</u>        | <u>1,477,507</u>        |

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT

The original amount of each issue, the issue date and interest rates are summarized as follows:

| <u>Issue Date</u>          | <u>Original<br/>Proceeds</u> | <u>Rates</u>  |
|----------------------------|------------------------------|---------------|
| Refunding Issue 2002       | 2,465,000                    | 2.50% - 3.90% |
| August 2006                | 3,290,000                    | 3.90% - 3.90% |
| 2nd Series of 2008         | 1,275,000                    | 3.35% - 4.40% |
| KISTA 2008 Series          | 601,776                      | 2.40% - 4.00% |
| KISTA 2009 R               | 75,416                       | 1.00% - 3.30% |
| Refunding Issue 2010       | 4,050,000                    | 1.50% - 3.00% |
| Revenue Series 2013        | 5,545,000                    | 1.50% - 3.00% |
| Refunding Issue March 2015 | 2,685,000                    | 2.00% - 2.40% |

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Powell County Fiscal Court and the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The Powell County School District Finance Corporation partially refunded 2006 Series Bonds in the fiscal year financed over a twelve year period. Total par amount of new bonds was \$2,685,000. SFCC participation in this new series was \$1,169,466. Bond discount was \$17,862. Present value of savings to the District was \$186,906.

The financial statements also recognize new long term debt to finance acquisition of two bus units principal amount totaling \$219,879 for a ten year period.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015, for debt service (principal and interest) are as follows:

| <u>Year</u>   | <u>Powell County School District</u> |                  | <u>Kentucky School Facilities Construction Commission</u> |                  | <u>Total</u>      |
|---------------|--------------------------------------|------------------|-----------------------------------------------------------|------------------|-------------------|
|               | <u>Principal</u>                     | <u>Interest</u>  | <u>Principal</u>                                          | <u>Interest</u>  |                   |
| 2015 - 16     | 750,663                              | 203,408          | 318,268                                                   | 105,332          | 1,377,671         |
| 2016 - 17     | 754,614                              | 185,608          | 312,050                                                   | 101,900          | 1,354,172         |
| 2017 - 18     | 677,622                              | 167,732          | 317,711                                                   | 96,243           | 1,259,308         |
| 2018 - 19     | 636,359                              | 152,061          | 322,839                                                   | 91,143           | 1,202,402         |
| 2019 - 20     | 649,768                              | 136,231          | 329,662                                                   | 84,273           | 1,199,934         |
| 2020 - 25     | 2,586,841                            | 456,579          | 1,511,252                                                 | 323,250          | 4,877,922         |
| 2025 - 30     | 1,499,839                            | 179,728          | 1,140,161                                                 | 173,810          | 2,993,538         |
| 2030 - 33     | 483,672                              | 29,105           | 616,328                                                   | 37,345           | 1,166,450         |
| <u>Totals</u> | <u>8,039,378</u>                     | <u>1,510,452</u> | <u>4,868,271</u>                                          | <u>1,013,296</u> | <u>15,431,397</u> |

## POWELL COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

Following are changes in long-term debt:

|                       | Balance<br>July 1, 2014 | Additions        | Reductions         | Balance<br>June 30, 2015 | Current<br>Portion |
|-----------------------|-------------------------|------------------|--------------------|--------------------------|--------------------|
| 2002 Refunding Series | 910,000                 | -                | (295,000)          | 615,000                  | 305,000            |
| 2006 Series           | 2,785,000               | -                | (2,605,000)        | 180,000                  | 90,000             |
| 2008 2nd Series       | 1,110,000               | -                | (35,000)           | 1,075,000                | 35,000             |
| 2008 KISTA            | 238,203                 | -                | (62,685)           | 175,518                  | 62,685             |
| 2009 KISTA R          | 43,812                  | -                | (6,560)            | 37,252                   | 7,412              |
| 2010 Refunding Series | 3,025,000               | -                | (350,000)          | 2,675,000                | 355,000            |
| 2013 Revenue Series   | 5,395,000               | -                | (150,000)          | 5,245,000                | 150,000            |
| 2015 Refunding Series | -                       | 2,685,000        | -                  | 2,685,000                | 40,000             |
| 2015 KISTA            | -                       | 219,879          | -                  | 219,879                  | 23,834             |
| <u>Total</u>          | <u>13,507,015</u>       | <u>2,904,879</u> | <u>(3,504,245)</u> | <u>12,907,649</u>        | <u>1,068,931</u>   |

NOTE E – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

|                                              | Balance<br>July 1, 2014 | Additions        | Deductions     | Balance<br>June 30, 2015 |
|----------------------------------------------|-------------------------|------------------|----------------|--------------------------|
| <u>Governmental Activities</u>               |                         |                  |                |                          |
| Capital assets, not being depreciated:       |                         |                  |                |                          |
| Land                                         | 1,220,539               | -                | -              | 1,220,539                |
| Construction work in progress                | 3,201,127               | 1,432,156        | -              | 4,633,283                |
| Vehicles not placed in service               | -                       | 211,498          | -              | 211,498                  |
| Total capital assets, not being depreciated: | <u>4,421,666</u>        | <u>1,643,654</u> | <u>-</u>       | <u>6,065,320</u>         |
| Capital assets, being depreciated:           |                         |                  |                |                          |
| Land improvements                            | 1,067,294               | -                | -              | 1,067,294                |
| Buildings and improvements                   | 23,648,786              | -                | -              | 23,648,786               |
| Technology equipment                         | 655,209                 | 79,615           | 123,580        | 611,244                  |
| Vehicles                                     | 2,513,073               | -                | -              | 2,513,073                |
| General equipment                            | 827,462                 | 63,400           | 78,000         | 812,862                  |
| Total capital assets being depreciated       | <u>28,711,824</u>       | <u>143,015</u>   | <u>201,580</u> | <u>28,653,259</u>        |
| <u>Totals at historical cost</u>             | <u>33,133,490</u>       | <u>1,786,669</u> | <u>201,580</u> | <u>34,718,579</u>        |

## POWELL COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

## NOTE E – CAPITAL ASSETS (continued)

|                                       | Balance<br>July 1, 2014 | Additions        | Deductions     | Balance<br>June 30, 2015 |
|---------------------------------------|-------------------------|------------------|----------------|--------------------------|
| <u>Governmental Activities</u>        |                         |                  |                |                          |
| Less: accumulated depreciation        |                         |                  |                |                          |
| Land improvements                     | 1,021,075               | 9,871            | -              | 1,030,946                |
| Buildings and improvements            | 11,318,494              | 545,471          | -              | 11,863,965               |
| Technology equipment                  | 446,924                 | 47,464           | 123,580        | 370,808                  |
| Vehicles                              | 1,912,124               | 140,588          | -              | 2,052,712                |
| General equipment                     | 652,891                 | 28,178           | 78,000         | 603,069                  |
| <u>Total accumulated depreciation</u> | <u>15,351,508</u>       | <u>771,572</u>   | <u>201,580</u> | <u>15,921,500</u>        |
| Governmental Activities               |                         |                  |                |                          |
| <u>Capital Assets - Net</u>           | <u>17,781,982</u>       | <u>1,015,097</u> | <u>-</u>       | <u>18,797,079</u>        |
| <u>Business-Type Activities</u>       |                         |                  |                |                          |
| Food service equipment                | 526,500                 | 17,110           | -              | 543,610                  |
| Vehicles                              | 8,800                   | -                | -              | 8,800                    |
| <u>Totals at historical cost</u>      | <u>535,300</u>          | <u>17,110</u>    | <u>-</u>       | <u>552,410</u>           |
| Less: accumulated depreciation        |                         |                  |                |                          |
| Food service and equipment            | 473,147                 | 8,849            | -              | 481,996                  |
| Vehicles                              | 7,187                   | 1,613            | -              | 8,800                    |
| <u>Total accumulated depreciation</u> | <u>480,334</u>          | <u>10,462</u>    | <u>-</u>       | <u>490,796</u>           |
| Business-Type Activities              |                         |                  |                |                          |
| <u>Capital Assets - Net</u>           | <u>54,966</u>           | <u>6,648</u>     | <u>-</u>       | <u>61,614</u>            |

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was allocated to governmental functions as follows:

|                                  |                       |
|----------------------------------|-----------------------|
|                                  | 612,141               |
| Instructional staff support      | 1,075                 |
| District administration          | 1,816                 |
| School administration            | 194                   |
| Business support                 | 401                   |
| Plant operations and maintenance | 14,403                |
| Student transportation           | 140,493               |
| Community services               | <u>1,049</u>          |
| <br>Total deprecation expense -  |                       |
| Government functions             | <u><u>771,572</u></u> |

NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements provided by the District for equipment provide the minimum future rental payments as of June 30, 2015, as follows:

|                  |                      |
|------------------|----------------------|
| 2015 - 16        | 25,653               |
| 2016 - 17        | 20,897               |
| 2017 - 18        | 7,667                |
| 2018 - 19        | 6,872                |
| 2019 - 20        | 1,701                |
| and thereafter   | <u>-</u>             |
| <br><u>Total</u> | <u><u>62,790</u></u> |

NOTE G – RETIREMENT PLANS

Kentucky Teachers Retirement System:

**Summary of Significant Accounting Policies**

*Pensions* – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (KTRS) and additions to/deductions from KTRS's fiduciary net position have been determined on the same basis as they are reported by KTRS. For this purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE G – RETIREMENT PLANS (continued)

**General Information about the Pension Plan**

*Plan Description* – Teaching-certified employees of the Powell County School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)-a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

*Benefits Provided* – For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

*Contributions* – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.105% of their salaries to the System. University members are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. University employers contribute 15.36% of salaries for members. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.



POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE G – RETIREMENT PLANS (continued)

**Medical Insurance Plan**

*Plan Description* – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* – In order to fund the post-employment healthcare benefit, six percent (6.00%) of the gross annual payroll of members before July 1, 2008 is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:**

At June 30, 2015, Powell County School District did not report a net pension liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its KTRS proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

|                                                |    |                   |
|------------------------------------------------|----|-------------------|
| District's proportionate share of the net      |    |                   |
| CERS pension liability                         | \$ | 4,391,000         |
| Commonwealth's proportional share of the       |    |                   |
| KTRS net pension liability associated with the |    |                   |
| District                                       |    | 65,420,079        |
|                                                | \$ | <u>69,811,079</u> |

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was .3184% for KTRS.

For the year ended June 30, 2015, the District's government-wide financial statements reported KTRS pension expense of \$3,205,717 and CERS pension expense of \$351,000. For the year ended June 30, 2015 the District recognized deferred outflows of resources, CERS, \$565,999 and deferred inflows of resources, CERS, \$490,000. The District recognized no deferred outflows of resources and no deferred inflows of resources related to KTRS.

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

**NOTE G – RETIREMENT PLANS (continued)**

*Actuarial assumptions* – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Significant assumptions used in the KTRS valuation were as follows:

- Investment rate of return – 7.5%, net of pension plan investment expense, including inflation.
- Projected salary increases – 4.00 – 8.20%, including inflation
- Inflation rate – 3.5%
- Municipal bond Index Rate – 4.35%
- Single Equivalent Interest Rate – 5.23%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

The long term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS' investment consultants is summarized in the following table:

| <u>Asset Class</u> | <u>KTRS<br/>Target<br/>Allocation</u> | <u>Long-term<br/>Expected<br/>Real Rate<br/>of Return</u> |
|--------------------|---------------------------------------|-----------------------------------------------------------|
| U.S. Equity        | 45.0%                                 | 6.4%                                                      |
| Non U.S. Equity    | 17.0%                                 | 6.5%                                                      |
| Fixed Income       | 24.0%                                 | 1.6%                                                      |
| High Yield Bonds   | 4.0%                                  | 3.1%                                                      |
| Real Estate        | 4.0%                                  | 5.8%                                                      |
| Alternatives       | 4.0%                                  | 6.8%                                                      |
| Cash               | 2.0%                                  | 1.5%                                                      |
|                    | 100.0%                                |                                                           |

*Discount rate* – The discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

The following table presents the net pension liability –proportionate share, calculated using the discount rate of 5.23%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.23%) or 1 percentage point higher (6.23%) than the current rate:

|                                                                | <b>1%<br/>Decrease<br/>(4.23%)</b> | <b>Current<br/>Discount Rate<br/>(5.23%)</b> | <b>1%<br/>Increase<br/>(6.23%)</b> |
|----------------------------------------------------------------|------------------------------------|----------------------------------------------|------------------------------------|
| Commonwealth's proportionate share of<br>net pension liability | \$ 82,176,320                      | \$ 65,420,079                                | \$ 51,591,583                      |

*Pension plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued KTRS financial report.

### **County Employees Retirement System**

*Plan Description:* Substantially all full-time classified employees of the District participate in the County Employees Retirement System (CERS). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (505) 564-4646 or at <https://kyret.ky.gov>.

*Benefits Provided* - Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

*Contributions* - Funding for CERS is provided by members who contribute other employees (classified personnel) are covered under the County Employee’s Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the plan is provided through payroll withholdings of 5.00% except for new hires on or after September 1, 2008 with payroll withholding of 6.00% and a district contribution of 17.67% of the employee’s total compensation subject to contributions.

At June 30, 2015, the District reported a liability for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used was based on an actuarial valuation as of June 30, 2014. At June 30, 2014 the District’s proportion of the net pension liability based on contributions to CERS during fiscal year ended June 30, 2014 was .1353%.

For the year ended June 30, 2015, the District recognized pension expense of \$351,000. The District reported deferred outflows of resources at June 30, 2015 in the amount of \$565,999. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

The District reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$490,000. This will be recognized as pension expense as follows:

| Year | Total          |
|------|----------------|
| 2016 | 98,000         |
| 2017 | 98,000         |
| 2018 | 98,000         |
| 2019 | 98,000         |
| 2020 | 98,000         |
|      | <u>490,000</u> |

*Actuarial Methods and Assumptions* - The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Valuation date, June 30, 2014
- Experience study – July 1, 2005 – June 30, 2008
- Actuarial Cost method – Entry Age Normal
- Amortization Method – Level percentage of payroll, closed
- Remaining Amortization Period – 30 years
- Asset Valuation method – 5-year smoothed market
- Inflation – 3.5%
- Salary increase 4.5%, average, including inflation
- Investment rate of return – 7.75%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members.

The target asset allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by CERS's investment consultant, are summarized as follows:

| <u>Asset Class</u>                            | CERS<br>Target<br><u>Allocation</u> | Long-term<br>Expected<br>Nominal<br><u>Return</u> |
|-----------------------------------------------|-------------------------------------|---------------------------------------------------|
| U.S. Equity                                   | 30.0%                               | 8.5%                                              |
| Non U.S. Equity                               | 22.0%                               | 8.9%                                              |
| Emerging Market Equity                        | 5.0%                                | 10.5%                                             |
| Private Equity                                | 7.0%                                | 11.3%                                             |
| Core US Fixed Income                          | 10.0%                               | 5.3%                                              |
| High Yield US Fixed Income                    | 5.0%                                | 7.3%                                              |
| Non US Fixed Income                           | 5.0%                                | 5.5%                                              |
| Real Estate                                   | 5.0%                                | 7.0%                                              |
| Commodities                                   | 5.0%                                | 7.8%                                              |
| TIPS (Treasury Inflated Protected Securities) | 5.0%                                | 5.0%                                              |
| Cash                                          | 1.0%                                | 3.3%                                              |
|                                               | 100.0%                              |                                                   |

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

*Discount Rate* – the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Deferred inflows and outflows and Pension expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability is based on the June 30, 2014 actuarial valuation for the first year of implementation. As a result, no differences are recognized between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a five year period.

The following presents the District's proportionate share of net pension liability calculated using the discount rate of 7.75% as well as the District's share if calculated using a rate 1% higher and 1% lower:

|                                       | <b>1%<br/>Decrease<br/>(6.75%)</b> | <b>Current<br/>Discount Rate<br/>(7.75%)</b> | <b>1%<br/>Increase<br/>(8.75%)</b> |
|---------------------------------------|------------------------------------|----------------------------------------------|------------------------------------|
| Commonwealth's proportionate share of |                                    |                                              |                                    |
| net pension liability                 | \$ 5,778,262                       | \$ 4,391,000                                 | \$ 3,165,323                       |

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

There were no payables to the pension plan at June 30, 2015.

**NOTE H – CONTINGENCIES**

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District was notified Kentucky School Board Insurance Trust dissolved in a previous fiscal year. As a result, assessments were proposed to be passed to local participating Districts based on past premiums or past claims. The District's liability to the KSBIT Workers' Compensation Fund was \$168,190. The District paid \$42,047 of this balance in August 2014 and chose to pay the remaining balance of \$126,142 over a five year period with the first payment beginning August 31, 2015. The District opted to pay its \$142,248 KSBIT Property and Liability Assessment in three installments - \$56,898 due September 15, 2014 and the remaining two equal payments of \$42,674 due September 15, 2015 and 2016. The amount of the liability is recorded in the government wide financial statements. A

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015

liability is not reflected in the fund financial statements in accordance with GASB Interpretation No. 6, as governmental funds follow the current financial resources measurement focus (modified accrual basis of accounting).

NOTE I – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. The risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including worker's compensation insurance.

NOTE J – LITIGATION

The District is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate a material effect on the combined financial statements as a result of threatened, pending or ongoing litigation.

NOTE K – RISK MANAGEMENT

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – DEFICIT OPERATING/FUND BALANCES

The following funds had deficit balances at June 30, 2015:

None

The following funds had expenditures in excess of revenues at June 30, 2015:

|                                           |         |
|-------------------------------------------|---------|
| General Fund                              | 631,096 |
| Special Revenue Fund                      | 51,655  |
| Scholarship Fund                          | 2,735   |
| Stanton Elementary Activity Fund          | 6,140   |
| Clay City Elementary Activity Fund        | 3,947   |
| Bowen Elementary Activity Fund            | 15,011  |
| Powell County Middle School Activity Fund | 12,884  |
| Powell County High School Activity Fund   | 5,534   |

NOTE M – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school District at risk for a substantial loss (contingency).

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year.

| <u>From Fund</u>     | <u>To Fund</u>       | <u>Purpose</u>              | <u>Amount</u>           |
|----------------------|----------------------|-----------------------------|-------------------------|
| Capital Outlay       | General Fund         | Property Insurance          | 52,579                  |
| Capital Outlay       | General Fund         | Workers Compensation Ins    | 42,047                  |
| Capital Outlay       | General Fund         | KSBIT Assessment Prop Ins   | 44,567                  |
| FSPK                 | Debt Service         | Bond principal and interest | 801,935                 |
| Capital Outlay       | Debt Service         | Bond principal and interest | 74,799                  |
| General Fund         | Special Revenue Fund | KETS match first offer      | 19,371                  |
| General Fund         | Special Revenue Fund | KETS match second offer     | 17,218                  |
| General Fund         | Special Revenue Fund | KETS match third offer      | 15,066                  |
| Special Revenue Fund | Special Revenue Fund | Transfer among funds        | <u>58,000</u>           |
| Total Transfers      |                      |                             | <u><u>1,125,582</u></u> |

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Inter-fund balances at June 30, 2015 were as follows:

None

NOTE P – ANNUAL FINANCIAL REPORT DIFFERENCES

The following is a reconciliation of the June 30, 2015, fund balances/retained earnings originally reported by the Board to the Kentucky Department of Education with that shown in the accompanying fund financial statements:

|                                                                                            | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Funds</u> | <u>Capital<br/>Projects<br/>Funds</u> | <u>Food<br/>Service<br/>Fund</u> | <u>Trust<br/>Fund</u> |
|--------------------------------------------------------------------------------------------|-------------------------|--------------------------------------|---------------------------------------|----------------------------------|-----------------------|
| Fund Balance/Retained Earnings<br>as originally reported to the Department<br>of Education | 423,423                 | -                                    | 366,385                               | 496,275                          | 179,124               |
| Adjustment to Fund<br>Balance/Retained Earnings                                            |                         |                                      |                                       |                                  |                       |
| (1) To record additional accounts receivable                                               | -                       | -                                    | -                                     | 7,330                            |                       |
| (2) To adjust deferred revenue                                                             | -                       | 58,000                               | -                                     | -                                | -                     |
| (3) To reclassify cash                                                                     | 58,000                  | (58,000)                             |                                       |                                  |                       |
| (4) To adjust consumable inventory                                                         | -                       | -                                    | -                                     | 11,409                           | -                     |
| (5) To adjust net fixed assets                                                             | <u>-</u>                | <u>-</u>                             | <u>-</u>                              | <u>61,614</u>                    | <u>-</u>              |
| Fund Balance/Retained Earnings<br>per fund financial statements<br>at June 30, 2015        | <u><u>481,423</u></u>   | <u><u>-</u></u>                      | <u><u>366,385</u></u>                 | <u><u>576,628</u></u>            | <u><u>179,124</u></u> |

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE Q – ON-BEHALF PAYMENTS

The following payments made by the state on behalf of employees of the District and for the benefit of the District are recognized in the government-wide financial statements as additional revenue and expenditures for the year ended June 30, 2015:

|                                      |                  |
|--------------------------------------|------------------|
| Kentucky Teacher's Retirement System | 1,541,643        |
| Health Insurance                     | 2,342,360        |
| Life Insurance                       | 4,561            |
| Administrative Fees                  | 31,487           |
| HRA/Dental/Vision                    | 166,425          |
| Technology                           | 59,875           |
| Debt Service                         | 423,530          |
| Less: Federal Reimbursements         | <u>(218,109)</u> |
| <u>Total</u>                         | <u>4,351,772</u> |
| Allocated to:                        |                  |
| General Fund                         | 3,835,117        |
| Debt Service Fund                    | 423,530          |
| School Food Service Fund             | <u>93,125</u>    |
| <u>Total</u>                         | <u>4,351,772</u> |

NOTE R – FUND BALANCE REPORTING

The District implemented Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for the fiscal year ended June 30, 2011. This standard clarifies existing governmental fund type definitions and establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Classifications include *non-spendable*, examples being prepaid items and inventory, and the following spendable fund balances – *restricted* - fund balances that are constrained by external parties, constitutional provisions or enabling legislation, *committed* - fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, *assigned* – fund balances that contain self-imposed constraints of the government to be used for a particular purpose and *unassigned* – fund balance of the general fund that is not constrained for any particular purpose. The standard affects fund balance reporting only and does not affect government-wide or proprietary fund financial statements.



POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2015NOTE R – FUND BALANCE REPORTING (Continued)

The following schedule reflects governmental fund balances at June 30, 2015:

| <b>Fund balances</b>                      | <u>General<br/>Fund</u> | <u>Construction<br/>Fund</u> | <u>Non-major<br/>Funds</u> | <u>Total</u>       |
|-------------------------------------------|-------------------------|------------------------------|----------------------------|--------------------|
| Restricted - sick leave                   | 66,115                  | -                            | -                          | 66,115             |
| Restricted for future construction/outlay | -                       | 353,749                      | 12,636                     | 366,385            |
| Committed - site based carryforward       | 22,811                  | -                            | -                          | 22,811             |
| Assigned - purchase obligations           | 5,400                   | -                            | -                          | 5,400              |
| Unassigned fund balance                   | <u>387,097</u>          | <u>-</u>                     | <u>-</u>                   | <u>387,097</u>     |
| <br><u>Total fund balances</u>            | <br><u>481,423</u>      | <br><u>353,749</u>           | <br><u>12,636</u>          | <br><u>847,808</u> |

The District's budget by State law must have a minimum 2% contingency. However, a separate contingency reserves fund has not been established. The statement of net position reflects reserves for fixed assets and school food service inventory.

NOTE S – COMMITMENTS

A \$5,825,606 High School Renovation/Addition project, including the acquisition of forty-three additional acres of land for \$850,000 adjacent to the District's existing property was approved by the Kentucky Division of Facilities Management and in progress. Fund resources include an SFCC bond sale of \$3,050,000; a local bond sale of \$2,495,000 and SFCC cash of \$280,606.

NOTE T – NET POSITION RESTATEMENT

The District's net decrease in net position was due to implementation of GASB 68. Beginning net position, \$6,647,407 as previously reported, was decreased \$4,530,000 to reflect fund balance adjustments represents CERS net pension liability at July 1, 2014, therefore reflecting a beginning balance adjusted as \$2,117,407.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2015

|                                                                                                   | <u>Budgeted Amounts</u> |                    |                   | Variance<br>Favorable<br>(Unfavorable) |
|---------------------------------------------------------------------------------------------------|-------------------------|--------------------|-------------------|----------------------------------------|
| <b>Revenues:</b>                                                                                  | <u>Original</u>         | <u>Final</u>       | <u>Actual</u>     |                                        |
| From local sources:                                                                               |                         |                    |                   |                                        |
| Taxes                                                                                             | 2,460,000               | 2,666,000          | 2,542,102         | (123,898)                              |
| Earnings on investments                                                                           | 1,800                   | 4,500              | 3,321             | (1,179)                                |
| Other local revenue                                                                               | 70,380                  | 95,380             | 64,799            | (30,581)                               |
| Intergovernmental - state                                                                         | 13,396,338              | 13,341,919         | 14,916,004        | 1,574,085                              |
| Intergovernmental - federal                                                                       | 100,000                 | 279,284            | 279,284           | -                                      |
| <b><u>Total revenues</u></b>                                                                      | <u>16,028,518</u>       | <u>16,387,083</u>  | <u>17,805,510</u> | <u>1,418,427</u>                       |
| <b>Expenditures:</b>                                                                              |                         |                    |                   |                                        |
| Instructional                                                                                     | 10,203,370              | 9,911,052          | 11,149,427        | (1,238,375)                            |
| Student support services                                                                          | 632,653                 | 679,591            | 773,059           | (93,468)                               |
| Staff support services                                                                            | 596,429                 | 606,271            | 687,777           | (81,506)                               |
| District administration                                                                           | 1,124,343               | 1,183,612          | 1,197,243         | (13,631)                               |
| School administration                                                                             | 1,112,978               | 1,074,323          | 1,101,083         | (26,760)                               |
| Business support                                                                                  | 288,196                 | 288,332            | 331,144           | (42,812)                               |
| Plant operations and management                                                                   | 1,841,900               | 1,988,704          | 1,999,856         | (11,152)                               |
| Student transportation                                                                            | 969,243                 | 1,170,991          | 1,125,354         | 45,637                                 |
| Debt service                                                                                      | 71,663                  | 71,663             | 71,663            | -                                      |
| Contingencies                                                                                     | 442,230                 | 492,230            | -                 | 492,230                                |
| <b><u>Total expenditures</u></b>                                                                  | <u>17,283,005</u>       | <u>17,466,769</u>  | <u>18,436,606</u> | <u>(969,837)</u>                       |
| Excess (deficit) of revenues over expenditures                                                    | <u>(1,254,487)</u>      | <u>(1,079,686)</u> | <u>(631,096)</u>  | <u>448,590</u>                         |
| <b>Other financing sources (uses):</b>                                                            |                         |                    |                   |                                        |
| Operating transfers in                                                                            | -                       | 139,193            | 139,193           | -                                      |
| Operating transfers out                                                                           | (29,496)                | (29,496)           | (51,655)          | (22,159)                               |
| Sale of equipment                                                                                 | -                       | -                  | 217               | 217                                    |
| <b><u>Total other financing sources (uses)</u></b>                                                | <u>(29,496)</u>         | <u>109,697</u>     | <u>87,755</u>     | <u>(21,942)</u>                        |
| Excess (deficit) of revenue and other financing<br>sources over expenditures/other financing uses | <u>(1,283,983)</u>      | <u>(969,989)</u>   | <u>(543,341)</u>  | <u>426,648</u>                         |
| <b>Fund Balance - July 1, 2014</b>                                                                | <u>1,283,983</u>        | <u>969,989</u>     | <u>958,649</u>    | <u>(11,340)</u>                        |
| <b>Fund Balance - June 30, 2015</b>                                                               | <u>-</u>                | <u>-</u>           | <u>415,308</u>    | <u>415,308</u>                         |

Notes:

Beginning and ending fund balance do not reflect \$66,115 restricted for sick leave payable.

See notes to financial statements and independent auditor's report.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2015

|                                                                                                       | <u>Budgeted Amounts</u> |                      |                      | Variance<br>Favorable<br>(Unfavorable) |
|-------------------------------------------------------------------------------------------------------|-------------------------|----------------------|----------------------|----------------------------------------|
| <b>Revenues:</b>                                                                                      | <u>Original</u>         | <u>Final</u>         | <u>Actual</u>        |                                        |
| From local sources:                                                                                   |                         |                      |                      |                                        |
| Earnings on investments                                                                               | 1                       | -                    | -                    | -                                      |
| Contributions/donations                                                                               | -                       | 5,240                | 5,415                | 175                                    |
| Intergovernmental - state                                                                             | 1,019,489               | 1,188,092            | 1,191,025            | 2,933                                  |
| Intergovernmental - indirect federal                                                                  | <u>2,309,915</u>        | <u>2,252,205</u>     | <u>2,192,449</u>     | <u>(59,756)</u>                        |
| <br><b><u>Total revenues</u></b>                                                                      | <br><u>3,329,405</u>    | <br><u>3,445,537</u> | <br><u>3,388,889</u> | <br><u>(56,648)</u>                    |
| <br><b>Expenditures:</b>                                                                              |                         |                      |                      |                                        |
| Instructional                                                                                         | 1,911,785               | 2,034,892            | 1,959,429            | 75,463                                 |
| Student support services                                                                              | 29,077                  | 30,693               | 27,723               | 2,970                                  |
| Staff support services                                                                                | 857,729                 | 866,761              | 869,132              | (2,371)                                |
| District administration                                                                               | 148,054                 | 76,538               | 121,851              | (45,313)                               |
| School administration                                                                                 | 5,158                   | 25,537               | 25,691               | (154)                                  |
| Plant operations and maintenance                                                                      | -                       | -                    | 12,512               | (12,512)                               |
| Student transportation                                                                                | 116,258                 | 120,942              | 139,851              | (18,909)                               |
| Community service activities                                                                          | <u>290,840</u>          | <u>284,180</u>       | <u>284,355</u>       | <u>(175)</u>                           |
| <br><b><u>Total expenditures</u></b>                                                                  | <br><u>3,358,901</u>    | <br><u>3,439,543</u> | <br><u>3,440,544</u> | <br><u>(1,001)</u>                     |
| <br>Excess (deficit) of revenues over expenditures                                                    | <br><u>(29,496)</u>     | <br><u>5,994</u>     | <br><u>(51,655)</u>  | <br><u>57,649</u>                      |
| <br><b>Other financing sources (uses):</b>                                                            |                         |                      |                      |                                        |
| Operating transfers in                                                                                | 29,496                  | 109,655              | 109,655              | -                                      |
| Operating transfers out                                                                               | <u>-</u>                | <u>(58,000)</u>      | <u>(58,000)</u>      | <u>-</u>                               |
| <br><b><u>Total other financing sources (uses)</u></b>                                                | <br><u>29,496</u>       | <br><u>51,655</u>    | <br><u>51,655</u>    | <br><u>-</u>                           |
| <br>Excess (deficit) of revenue and other financing<br>sources over expenditures/other financing uses | <br>-                   | <br>57,649           | <br>-                | <br>(57,649)                           |
| <br><b>Fund Balance - July 1, 2014</b>                                                                | <br><u>-</u>            | <br><u>-</u>         | <br><u>-</u>         | <br><u>-</u>                           |
| <br><b>Fund Balance - June 30, 2015</b>                                                               | <br><u>-</u>            | <br><u>57,649</u>    | <br><u>-</u>         | <br><u>(57,649)</u>                    |

See notes to financial statements and independent auditors's report.

POWELL COUNTY SCHOOL DISTRICTSCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY  
AND SCHEDULES OF EMPLOYER CONTRIBUTIONSFor the Year Ended June 30, 2015**Employer's Proportionate Share of Net Pension Liability**

|                                                                                                             | <u>2015</u> |             |
|-------------------------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                                             | <u>KTRS</u> | <u>CERS</u> |
| Employer's proportion of the net pension liability                                                          | 0.3184%     | 0.1353%     |
| Employer's proportionate share of the net pension liability                                                 | -           | 4,391,000   |
| State's proportionate share of the net pension liability                                                    | 65,420,079  | -           |
| Employer's covered employee payroll                                                                         | 9,969,802   | 3,203,164   |
| Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll | 0%          | 137%        |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 62.6%       | 53.6%       |

**Employer's Contributions**

|                                                                      | <u>2015</u> |             |
|----------------------------------------------------------------------|-------------|-------------|
|                                                                      | <u>KTRS</u> | <u>CERS</u> |
| Contractually required contribution                                  | 1,920,905   | 565,999     |
| Contributions in relation to the contractually required contribution | 1,920,905   | 565,999     |
| Contribution deficiency (excess)                                     | -           | -           |
| District's covered employee payroll                                  | 9,969,802   | 3,203,164   |
| Contributions as a percentage of covered employee payroll            | 19.27%      | 17.67%      |

Change of benefit terms - None.

Changes of assumptions - None.

See notes to financial statements and independent auditors's report.

POWELL COUNTY SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
June 30, 2015

POWELL COUNTY SCHOOL DISTRICTBALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDAt June 30, 2015

|                                            | District Activity<br><u>Multi Year</u> |
|--------------------------------------------|----------------------------------------|
| <b>Asset and resources:</b>                |                                        |
| Cash and cash equivalents                  | 7,365                                  |
| Accounts receivable                        | <u>3,727</u>                           |
| <b>Total Assets</b>                        | <u><u>11,092</u></u>                   |
| <b>Liabilities and fund balances:</b>      |                                        |
| - Liabilities -                            |                                        |
| Unearned revenue activity funds            | <u>11,092</u>                          |
| <b>Total Liabilities</b>                   | <u>11,092</u>                          |
| - Fund balances -                          |                                        |
| Restricted - other                         | <u>-</u>                               |
| <b>Total fund balances</b>                 | <u>-</u>                               |
| <b>Total liabilities and fund balances</b> | <u><u>11,092</u></u>                   |

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – NONMAJOR SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

|                                                                                                                        | <u>District Activity<br/>Multi Year Fund</u> |
|------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| <b>Revenues:</b>                                                                                                       |                                              |
| From local sources:                                                                                                    |                                              |
| Student activities                                                                                                     | 55,298                                       |
| <br><b><u>Total revenues</u></b>                                                                                       | <br>55,298                                   |
| <br><b>Expenditures:</b>                                                                                               |                                              |
| Instruction                                                                                                            | 38,481                                       |
| Instructional staff support services                                                                                   | 16,817                                       |
| <br><b><u>Total expenditures</u></b>                                                                                   | <br>55,298                                   |
| <br><b>Excess (deficit) of revenues<br/>over expenditures</b>                                                          | <br>-                                        |
| <br>Other financing sources (uses):                                                                                    |                                              |
| Operating transfers in                                                                                                 | -                                            |
| Operating transfers out                                                                                                | -                                            |
| <br><b><u>Total other financing sources (uses)</u></b>                                                                 | <br>-                                        |
| <br><b>Excess (deficit) of revenues and other<br/>financing sources over expenditures<br/>and other financing uses</b> | <br>-                                        |
| <br>Fund balance, July 1, 2014                                                                                         | -                                            |
| <br>Fund balance, June 30, 2015                                                                                        | -                                            |

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICTCOMBINING BALANCE SHEET – OTHER NONMAJOR GOVERNMENTAL FUNDSAt June 30, 2015

|                                            | SEEK Capital<br>Outlay Fund | Building<br>Fund | Total         |
|--------------------------------------------|-----------------------------|------------------|---------------|
| <b>Asset and resources:</b>                |                             |                  |               |
| Cash and cash equivalents                  | <u>4,851</u>                | <u>7,785</u>     | <u>12,636</u> |
| <b>Liabilities and fund balances:</b>      |                             |                  |               |
| - Liabilities -                            |                             |                  |               |
| Accounts payable                           | <u>-</u>                    | <u>-</u>         | <u>-</u>      |
| <b>Total Liabilities</b>                   | <u>-</u>                    | <u>-</u>         | <u>-</u>      |
| - Fund balances -                          |                             |                  |               |
| Restricted - sfcc escrow                   | 4,851                       | 7,785            | 12,636        |
| Restricted - other                         | <u>-</u>                    | <u>-</u>         | <u>-</u>      |
| <b>Total fund balances</b>                 | <u>4,851</u>                | <u>7,785</u>     | <u>12,636</u> |
| <b>Total liabilities and fund balances</b> | <u>4,851</u>                | <u>7,785</u>     | <u>12,636</u> |

See independent auditor's report.



POWELL COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – OTHER NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

|                                                               | SEEK<br>Capital Outlay<br><u>Fund</u> | Building<br><u>Fund</u> | <u>Total</u>           |
|---------------------------------------------------------------|---------------------------------------|-------------------------|------------------------|
| <b>Revenues:</b>                                              |                                       |                         |                        |
| From local sources:                                           |                                       |                         |                        |
| General real property tax                                     | -                                     | 262,382                 | 262,382                |
| Intergovernmental - state                                     | <u>215,232</u>                        | <u>543,660</u>          | <u>758,892</u>         |
| <br><b><u>Total revenues</u></b>                              | <br><u>215,232</u>                    | <br><u>806,042</u>      | <br><u>1,021,274</u>   |
| <br><b>Expenditures:</b>                                      |                                       |                         |                        |
| Debt service                                                  |                                       |                         |                        |
| Purchased professional and technical                          | -                                     | -                       | -                      |
| Bond issue costs                                              | -                                     | -                       | -                      |
| Principal                                                     | -                                     | -                       | -                      |
| Interest                                                      | <u>-</u>                              | <u>-</u>                | <u>-</u>               |
| <br><b><u>Total expenditures</u></b>                          | <br><u>-</u>                          | <br><u>-</u>            | <br><u>-</u>           |
| <br><b>Excess (deficit) of revenues<br/>over expenditures</b> | <br><u>215,232</u>                    | <br><u>806,042</u>      | <br><u>1,021,274</u>   |
| <br>Other financing sources (uses):                           |                                       |                         |                        |
| Operating transfers in                                        | -                                     | -                       | -                      |
| Operating transfers out                                       | (213,992)                             | (801,935)               | (1,015,927)            |
| Bond issue proceeds - refunding                               |                                       |                         |                        |
| Retirement of previous issues                                 | <u>-</u>                              | <u>-</u>                | <u>-</u>               |
| <br><b><u>Total other financing sources (uses)</u></b>        | <br><u>(213,992)</u>                  | <br><u>(801,935)</u>    | <br><u>(1,015,927)</u> |
| <br><b>Net change in fund balance</b>                         | <br>1,240                             | <br>4,107               | <br>5,347              |
| <br>Fund balance, July 1, 2014                                | <u>3,611</u>                          | <u>3,678</u>            | <u>7,289</u>           |
| <br>Fund balance, June 30, 2015                               | <u><u>4,851</u></u>                   | <u><u>7,785</u></u>     | <u><u>12,636</u></u>   |

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEPOWELL COUNTY HIGH SCHOOL ACTIVITY FUNDFor the Year Ended June 30, 2015

| <u>Fund Accounts</u>  | <u>Revenues</u> | <u>Expenditures</u> | <u>Excess (Deficit) of<br/>Revenues over Expenditures</u> | <u>Fund Balance<br/>July 1, 2014</u> | <u>Fund Balance<br/>June 30, 2015</u> |
|-----------------------|-----------------|---------------------|-----------------------------------------------------------|--------------------------------------|---------------------------------------|
| General               | 1,727           | 2,927               | (1,200)                                                   | 3,775                                | 2,575                                 |
| Teacher Vending       | 2,036           | 1,909               | 127                                                       | 105                                  | 232                                   |
| Foundation Grants     | 1,000           | 500                 | 500                                                       | 143                                  | 643                                   |
| Student Vending       | 3,776           | 1,511               | 2,265                                                     | 106                                  | 2,371                                 |
| Courtesy Committee    | 480             | 743                 | (263)                                                     | 272                                  | 9                                     |
| PTO                   | 2,111           | 1,593               | 518                                                       | 522                                  | 1,040                                 |
| Art Class Fee         | 25              | 201                 | (176)                                                     | 256                                  | 80                                    |
| STLP                  | -               | -                   | -                                                         | 167                                  | 167                                   |
| FMD Classroom         | 2,127           | 2,190               | (63)                                                      | 823                                  | 760                                   |
| Humanities Trip       | -               | -                   | -                                                         | 59                                   | 59                                    |
| Science Grant         | 963             | 1,002               | (39)                                                      | 76                                   | 37                                    |
| Student Testing       | 4,263           | 5,102               | (839)                                                     | 1,471                                | 632                                   |
| Christmas Tea         | -               | -                   | -                                                         | 397                                  | 397                                   |
| Graduation/Honors     | 5,655           | 4,845               | 810                                                       | 299                                  | 1,109                                 |
| Social Studies Grant  | -               | -                   | -                                                         | 131                                  | 131                                   |
| Key Club              | 6,472           | 6,512               | (40)                                                      | 62                                   | 22                                    |
| Attendance Incentives | -               | 90                  | (90)                                                      | 122                                  | 32                                    |
| Substitutes           | -               | -                   | -                                                         | 270                                  | 270                                   |
| Upper Room            | -               | 33                  | (33)                                                      | 82                                   | 49                                    |
| Academic Team         | 4,322           | 4,595               | (273)                                                     | 619                                  | 346                                   |
| Student Parking       | 749             | 1,866               | (1,117)                                                   | 1,117                                | -                                     |
| Library               | 40              | 44                  | (4)                                                       | 49                                   | 45                                    |
| Spanish               | 2,009           | 2,070               | (61)                                                      | 236                                  | 175                                   |
| Entrepreneurship      | 10,851          | 10,950              | (99)                                                      | 1,733                                | 1,634                                 |
| Home Economics        | 105             | -                   | 105                                                       | 148                                  | 253                                   |
| Textbook Rental       | 5,606           | 7,543               | (1,937)                                                   | 1,937                                | -                                     |
| Prom                  | 6,175           | 5,885               | 290                                                       | 3,397                                | 3,687                                 |
| Senior Class          | 17,093          | 16,596              | 497                                                       | 511                                  | 1,008                                 |
| Class of 2017         | 152             | -                   | 152                                                       | -                                    | 152                                   |
| Class of 2014         | -               | 3,200               | (3,200)                                                   | 3,200                                | -                                     |
| Band                  | 15,358          | 15,370              | (12)                                                      | 86                                   | 74                                    |
| FBLA                  | 5,151           | 5,769               | (618)                                                     | 1,160                                | 542                                   |
| Ecology Club          | 26,229          | 26,275              | (46)                                                      | 333                                  | 287                                   |
| Youth Services Center | 6,750           | 4,259               | 2,491                                                     | 2,170                                | 4,661                                 |
| Snack Shack           | 12,577          | 16,043              | (3,466)                                                   | 4,135                                | 669                                   |
| Chorus                | 155             | 144                 | 11                                                        | 126                                  | 137                                   |
| Class of 2015         | 10,440          | 10,998              | (558)                                                     | 558                                  | -                                     |
| Yearbook              | 4,683           | 10,270              | (5,587)                                                   | 17,135                               | 11,548                                |
| Pirate Press          | -               | -                   | -                                                         | 397                                  | 397                                   |
| Paper Fund            | 181             | 326                 | (145)                                                     | 145                                  | -                                     |
| Counselors            | 800             | 1,078               | (278)                                                     | 853                                  | 575                                   |
| Class of 2016         | 3,348           | 952                 | 2,396                                                     | 83                                   | 2,479                                 |
| Online Gaming         | -               | -                   | -                                                         | 1                                    | 1                                     |
| Ky Youth Association  | 1,314           | 557                 | 757                                                       | 341                                  | 1,098                                 |

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

POWELL COUNTY HIGH SCHOOL ACTIVITY FUND (CONTINUED)

For the Year Ended June 30, 2015

| <u>Fund Accounts</u>      | <u>Revenues</u> | <u>Expenditures</u> | <u>Excess (Deficit) of<br/>Revenues over Expenditures</u> | <u>Fund Balance<br/>July 1, 2014</u> | <u>Fund Balance<br/>June 30, 2015</u> |
|---------------------------|-----------------|---------------------|-----------------------------------------------------------|--------------------------------------|---------------------------------------|
| Locker Rental             | 705             | 4,045               | (3,340)                                                   | 3,340                                | -                                     |
| Beta Club                 | 875             | 934                 | (59)                                                      | 59                                   | -                                     |
| Drama Club                | -               | -                   | -                                                         | 851                                  | 851                                   |
| FCA                       | 189             | 189                 | -                                                         | 729                                  | 729                                   |
| FFA                       | 14,037          | 13,503              | 534                                                       | 788                                  | 1,322                                 |
| FCCLA                     | 2,795           | 2,200               | 595                                                       | 3,630                                | 4,225                                 |
| Hometown Scholarship      | 1,519           | 3,738               | (2,219)                                                   | 2,579                                | 360                                   |
| FEA Club                  | -               | -                   | -                                                         | 145                                  | 145                                   |
| Sew What                  | 1,662           | 1,899               | (237)                                                     | 3,077                                | 2,840                                 |
| Pep Club                  | 355             | 607                 | (252)                                                     | 374                                  | 122                                   |
| TSA                       | -               | -                   | -                                                         | 14                                   | 14                                    |
| Special Olympics          | 1,125           | 1,099               | 26                                                        | 110                                  | 136                                   |
| HOSA                      | -               | -                   | -                                                         | 57                                   | 57                                    |
| Construction Class        | 1,121           | 699                 | 422                                                       | 233                                  | 655                                   |
| Skills Club               | 400             | 401                 | (1)                                                       | 53                                   | 52                                    |
| HOSA Competition          | -               | -                   | -                                                         | 8                                    | 8                                     |
| Gen. Athletics            | 111,137         | 105,849             | 5,288                                                     | 5,115                                | 10,403                                |
| Baseball                  | 24,181          | 17,745              | 6,436                                                     | 304                                  | 6,740                                 |
| Boys Basketball           | 19,213          | 14,366              | 4,847                                                     | 371                                  | 5,218                                 |
| Girls Basketball          | 10,984          | 8,578               | 2,406                                                     | 1,287                                | 3,693                                 |
| Cheerleaders - Varsity    | 10,209          | 11,230              | (1,021)                                                   | 1,066                                | 45                                    |
| Concessions               | 16,428          | 16,789              | (361)                                                     | 557                                  | 196                                   |
| Football                  | 10,364          | 9,625               | 739                                                       | 850                                  | 1,589                                 |
| Boys Golf                 | 2,263           | 2,893               | (630)                                                     | 630                                  | -                                     |
| Girls Golf                | 3,034           | 2,990               | 44                                                        | 2,811                                | 2,855                                 |
| Softball                  | 12,276          | 15,063              | (2,787)                                                   | 6,139                                | 3,352                                 |
| Track                     | 1,269           | 1,614               | (345)                                                     | 1,240                                | 895                                   |
| Soccer                    | 8,656           | 7,937               | 719                                                       | -                                    | 719                                   |
| Cross Country             | 2,968           | 2,725               | 243                                                       | 85                                   | 328                                   |
| Volleyball                | 4,798           | 8,329               | (3,531)                                                   | 4,047                                | 516                                   |
| 4th and 5th Grade         | 46              | -                   | 46                                                        | 295                                  | 341                                   |
| Athletic Field Trip       | -               | -                   | -                                                         | 1                                    | 1                                     |
| Football Support          | 22,093          | 26,781              | (4,688)                                                   | 7,725                                | 3,037                                 |
| Xteam                     | 36,450          | 34,708              | 1,742                                                     | -                                    | 1,742                                 |
| Student Field Trips       | -               | -                   | -                                                         | 395                                  | 395                                   |
| Band Trip                 | 400             | 400                 | -                                                         | 8                                    | 8                                     |
| Band Parents Organization | 7,030           | 7,955               | (925)                                                     | 3,749                                | 2,824                                 |
| Gen Athletics/Extras      | -               | -                   | -                                                         | 286                                  | 286                                   |
| <u>Sub-total</u>          | <u>493,305</u>  | <u>498,839</u>      | <u>(5,534)</u>                                            | <u>102,616</u>                       | <u>97,082</u>                         |
| Less: Interfund transfers | <u>55,468</u>   | <u>55,468</u>       | <u>-</u>                                                  | <u>-</u>                             | <u>-</u>                              |
| <u>Total</u>              | <u>437,837</u>  | <u>443,371</u>      | <u>(5,534)</u>                                            | <u>102,616</u>                       | <u>97,082</u>                         |

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCEMIDDLE AND ELEMENTARY SCHOOL ACTIVITY FUNDSFor the Year Ended June 30, 2015

|                                                                   | <u>Powell County<br/>Middle School</u> | <u>Bowen<br/>Elementary</u> | <u>Clay City<br/>Elementary</u> | <u>Stanton<br/>Elementary</u> | <u>Total<br/>(Memorandum<br/>Only)</u> |
|-------------------------------------------------------------------|----------------------------------------|-----------------------------|---------------------------------|-------------------------------|----------------------------------------|
| <u>REVENUES:</u>                                                  |                                        |                             |                                 |                               |                                        |
| Activity funds                                                    | 165,602                                | 20,403                      | 28,048                          | 41,104                        | 255,157                                |
| <u>EXPENDITURES:</u>                                              |                                        |                             |                                 |                               |                                        |
| Activity funds                                                    | <u>178,486</u>                         | <u>35,414</u>               | <u>31,995</u>                   | <u>47,244</u>                 | <u>293,139</u>                         |
| Excess or (deficiency)<br>of revenues over<br><u>expenditures</u> | (12,884)                               | (15,011)                    | (3,947)                         | (6,140)                       | (37,982)                               |
| Fund Balance, July 1, 2014                                        | <u>58,933</u>                          | <u>25,007</u>               | <u>17,510</u>                   | <u>15,902</u>                 | <u>117,352</u>                         |
| Fund Balance, June 30, 2015                                       | <u><u>46,049</u></u>                   | <u><u>9,996</u></u>         | <u><u>13,563</u></u>            | <u><u>9,762</u></u>           | <u><u>79,370</u></u>                   |

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantors<br/>Number</u> | <u>Program<br/>Award<br/>Amount</u> | <u>2015<br/>Program<br/>Expenditures</u> |
|-----------------------------------------------------------|------------------------------------|---------------------------------------------|-------------------------------------|------------------------------------------|
| <u>U. S. Department of Agriculture</u>                    |                                    |                                             |                                     |                                          |
| Passed through State Department of Education:             |                                    |                                             |                                     |                                          |
| - Child Nutrition Cluster -                               |                                    |                                             |                                     |                                          |
| School Breakfast Program                                  | 10.553                             | 7760005 15                                  | N/A                                 | 217,679                                  |
|                                                           | 10.553                             | 7760005 14                                  | N/A                                 | 73,699                                   |
|                                                           |                                    |                                             |                                     | <u>291,378</u>                           |
| School Lunch Program                                      | 10.555                             | 7750002 15                                  | N/A                                 | 748,829                                  |
|                                                           | 10.555                             | 7750002 14                                  | N/A                                 | 249,496                                  |
|                                                           |                                    |                                             |                                     | <u>998,325</u>                           |
| Summer Food Service Program for Children                  | 10.559                             | 7690024 14                                  | N/A                                 | 1,626                                    |
|                                                           | 10.559                             | 7740023 14                                  |                                     | 15,616                                   |
|                                                           |                                    |                                             |                                     | <u>17,242</u>                            |
| Passed through State Department of Agriculture:           |                                    |                                             |                                     |                                          |
| National School Lunch Program Non-Cash Commodities        | 10.555                             | 006 0100                                    | N/A                                 | 92,965                                   |
|                                                           |                                    |                                             |                                     | <u>92,965</u>                            |
| <u>Total Child Nutrition Cluster</u>                      |                                    |                                             |                                     | <u>1,399,910</u>                         |
| Passed through Powell County Fiscal Court                 |                                    |                                             |                                     |                                          |
| Schools and Roads Grants To States                        | 10.665                             | 505X                                        | N/A                                 | 14,966                                   |
|                                                           |                                    |                                             |                                     | <u>14,966</u>                            |
| <u>Total U.S. Department of Agriculture</u>               |                                    |                                             |                                     | <u>1,414,876</u>                         |
| <u>U. S. Department of Education</u>                      |                                    |                                             |                                     |                                          |
| Passed through State Department of Education:             |                                    |                                             |                                     |                                          |
| - Title 1 Cluster -                                       |                                    |                                             |                                     |                                          |
| Title 1 Grants to Local Education Agencies                | 84.010                             | 3104                                        | 1,128,045                           | 141,475                                  |
|                                                           | 84.010                             | 310A                                        | 1,094,034                           | 909,890                                  |
|                                                           | 84.010                             | 310AM                                       | 11,430                              | 8,460                                    |
|                                                           |                                    |                                             |                                     | <u>1,059,825</u>                         |
| <u>Total Title I Cluster</u>                              |                                    |                                             |                                     | <u>1,059,825</u>                         |
| Migrant Education - State Grant Program                   | 84.011                             | 3114                                        | 121,050                             | 13,220                                   |
|                                                           | 84.011                             | 311A                                        | 97,400                              | 87,052                                   |
|                                                           | 84.011                             | 3113S                                       | 3,945                               | 187                                      |
|                                                           |                                    |                                             |                                     | <u>100,459</u>                           |

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)For the Year Ended June 30, 2015

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u>                 | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantors<br/>Number</u> | <u>Program<br/>Award<br/>Amount</u> | <u>2015<br/>Program<br/>Expenditures</u> |
|---------------------------------------------------------------------------|------------------------------------|---------------------------------------------|-------------------------------------|------------------------------------------|
| - Special Education Cluster -                                             |                                    |                                             |                                     |                                          |
| Special Education - Grants to States                                      | 84.027                             | 3374                                        | 513,917                             | 103,129                                  |
|                                                                           | 84.027                             | 3373                                        | 535,404                             | 106                                      |
|                                                                           | 84.027                             | 3373P                                       | 5,923                               | 5,923                                    |
|                                                                           | 84.027                             | 337A                                        | 521,456                             | 415,843                                  |
|                                                                           |                                    |                                             |                                     | <u>525,001</u>                           |
| Special Education - Preschool Grants                                      | 84.173                             | 343A                                        | 31,076                              | <u>30,984</u>                            |
| Total Special Education Cluster                                           |                                    |                                             |                                     | <u><b>555,985</b></u>                    |
| Vocational Education - Basic Grants to States                             | 84.048                             | 348A                                        | 33,417                              | 33,417                                   |
|                                                                           | 84.048                             | 3484A                                       | 1,371                               | <u>1,371</u>                             |
|                                                                           |                                    |                                             |                                     | <u><b>34,788</b></u>                     |
| Title VI                                                                  |                                    |                                             |                                     |                                          |
| Rural Education                                                           | 84.358                             | 3504                                        | 43,200                              | 5,905                                    |
|                                                                           | 84.358                             | 350A                                        | 50,631                              | <u>43,670</u>                            |
|                                                                           |                                    |                                             |                                     | <u><b>49,575</b></u>                     |
| Improving Teacher Quality State Grants                                    | 84.367                             | 4014                                        | 170,336                             | 3,442                                    |
|                                                                           | 84.367                             | 401A                                        | 170,279                             | <u>158,408</u>                           |
|                                                                           |                                    |                                             |                                     | <u><b>161,850</b></u>                    |
| Race to the Top                                                           | 84.413A                            | 4521                                        | 46,879                              | <u><b>4,114</b></u>                      |
| Gaining Early Awareness and Readiness for Undergraduate Programs (GEARUP) | 84.334A                            | 379AC                                       | 55,000                              | 55,000                                   |
|                                                                           | 84.334A                            | 3794G                                       | 146,500                             | 2,540                                    |
|                                                                           | 84.334A                            | 379AG                                       | 120,900                             | 103,530                                  |
|                                                                           | 84.334A                            | 3794P                                       | 50,000                              | 14,784                                   |
|                                                                           | 84.334A                            | 379AP                                       | 50,000                              | 50,000                                   |
|                                                                           | 84.334A                            | 379AX                                       | N/A                                 | 31,674                                   |
|                                                                           | 84.334A                            | 379XG                                       | N/A                                 | <u>705</u>                               |
|                                                                           |                                    |                                             |                                     | <u><b>258,233</b></u>                    |
| <u>Total U.S. Department of Education</u>                                 |                                    |                                             |                                     | <u><b>2,224,829</b></u>                  |
| <u>Total Federal Awards Expended</u>                                      |                                    |                                             |                                     | <u><b>3,639,705</b></u>                  |

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)For the Year Ended June 30, 2015**NOTE A**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Powell County School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**NOTE B**

Non-monetary assistance CFDA #10.555, \$92,965, is reported in the schedule at the fair value of the food donations disbursed.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State Committee for School District Audits  
Members of Powell County Board of Education  
Stanton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the State Committee for School District Audits in the Kentucky Public School Districts Audit Contract Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Powell County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Powell County School District's basic financial statements, and have issued our report thereon dated October 29, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Powell County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Powell County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Powell County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



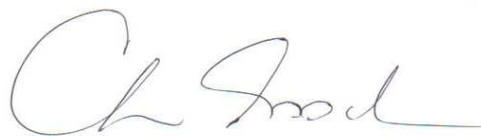
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Powell County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Powell County School District, in a separate letter dated October 29, 2015. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Kentucky Public School District's Audit Contract and Requirements – State Compliance Requirements.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Chris Gooch".

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 29, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

State Committee for School District Audits  
Members of Powell County Board of Education  
Stanton, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Powell County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Powell County School District's major federal programs for the year ended June 30, 2015. Powell County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Powell County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the State Committee for School District Audits in the Kentucky Public School District's Audit Contract Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Powell County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Powell County School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Powell County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of Powell County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Powell County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Powell County School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 29, 2015

POWELL COUNTY SCHOOL DISTRICTSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGSFor the Year Ended June 30, 2015

- FINDINGS RELATED TO THE FINANCIAL STATEMENTS –

None

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS –

None

POWELL COUNTY SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTSFor the Year Ended June 30, 2015- SUMMARY OF AUDIT RESULTS –

1. We have issued an unmodified opinion on the financial statements.
2. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit in internal control over major programs.
5. We have issued an unmodified opinion on compliance for major programs.
6. The audit did not disclose any audit findings which we are required to report under Section .510(a) of A-133.
7. Powell County School District had the following major programs:

U. S. Department of Education

- Passed through State Department of Education -  
Title I

CFDA number 84.010

- Special Education Cluster -

IDEA-B Basic

CFDA numbers 84.027

IDEA-B Preschool

CFDA number 84.173

U.S. Department of Agriculture

- Passed through State Departments of Education and Agriculture -  
- Child Nutrition Cluster -

School Lunch and Breakfast Program, Summer Food Service Program  
for Children

CFDA numbers 10.553, 10.555 and 10.559

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.

POWELL COUNTY SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)For the Year Ended June 30, 2015

- FINDINGS RELATED TO THE FINANCIAL STATEMENTS –

None

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS –

None

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MANAGEMENT LETTER

Powell County Board of Education  
Stanton, Kentucky

In planning and performing our audit of the financial statements of Powell County School District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operation efficiency. The memorandum that accompanies this letter summarized our comments and suggestions regarding those matters. A separate report dated October 29, 2015, contains our report on the District's internal control structure. This letter does not affect our report dated October 29, 2015, on the financial statements of the Powell County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

A handwritten signature in blue ink, appearing to read "Chris Gooch", with a stylized, cursive script.

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 29, 2015

POWELL COUNTY SCHOOL DISTRICTMANAGEMENT LETTER COMMENTSFor the Year Ended June 30, 2015**Follow-up on Prior Year Comments**

1. District management should monitor other liability account balances periodically and provide evidence reconciliation to underlying documentation is occurring.
  - Management has implemented a system to periodically monitor other liability account balances.
2. Use of PTO funding should be restricted to activity type expenditures – not capital or instructional funding.
  - Management has implemented procedures through training and district wide account balances to avoid expenditures of this nature through this funding resource.
3. Book fair revenue at the activity fund level should be supported by receipt reconciliation at the recipient level prior to access by the activity fund clerk.
  - Management has acknowledged and discussed with applicable personnel during activity fund accounting training.

**Current Year Comments**

No current year comments